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CONSOLIDATED
RAMBLER
MINES
LIMITED

ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31

1975

CONSOLIDATED RAMBLER MINES LIMITED

Incorporated under the laws of Ontario on January 20, 1961

DIRECTORS

G. KERLIN New York, U.S.A.
A. G. KIRKLAND Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
G. F. PUSHIE St. John's, Newfoundland
L. MCC. RITCHIE Saint John, New Brunswick

OFFICERS

L. MCC. RITCHIE *President*
A. G. KIRKLAND *Vice-President*
D. A. MACFARLANE *Secretary and Treasurer*
MRS. M. JONES *Assistant Secretary*

EXECUTIVE OFFICE

FIFTH FLOOR, GOLDEN BALL BLDG Saint John, N.B.

MINE OFFICE

BAIE VERTE Newfoundland

AUDITORS

COOPERS & LYBRAND Saint John, N.B.

TRANSFER AGENT and REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

ANNUAL MEETING

June 8, 1976 — 3:00 p.m. (Toronto Time)
ALGONQUIN ROOM, ROYAL YORK HOTEL, Toronto, Ontario

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors submit herewith reports covering the Corporation's operations for 1975, including the audited financial statements.

The Corporation suffered a loss of \$212,723 (7c per share) in 1975 compared with earnings of \$1,405,375 (47c per share) in the year 1974. The operating result for 1975 was a combination of a number of factors.

In the first place, the price of metals was significantly lower in 1975 compared with 1974. Copper prices which closed in 1974 at 73c per pound Canadian and approximately 57c per pound on the L.M.E., closed in 1975 at 63 3/8c and 54c respectively. Thus, despite an increase in out-put of concentrate in 1975 of approximately 17%, the gross revenue earned by the Corporation declined when compared with 1974. As a result of the lower values, the Corporation has priced copper contained in concentrate yet to be paid for at December 31, 1975 at 55c per pound.

In addition, marketing costs (consisting mainly of shipping, smelting and refining charges) continued to escalate in 1975. These costs, which are not controllable by your Corporation, are a direct deduction from the gross value of its production. Smelting charges on a unit basis increased by 25% in 1975 while refining charges increased 19%. Operating costs also continued to reflect the inflation present in Canada and increased by approximately 18% in the year. The Corporation's collective agreement with its labor union reached an anniversary date on September 29, 1975 and wages (excluding certain fringe benefits) increased a further 11%.

From the above, it is abundantly clear that continuity of the Corporation's operations is seriously in question should metal prices fail to strengthen.

As may be seen by the accompanying financial statements, the Corporation's working capital has also been severely reduced in the year 1975. To a large extent this was the result of expenditures on the Boundary Shaft project which, along with other fixed asset expenditures, involved a cash outlay of over \$2 million in 1975. There was a comparable outlay of \$2.1 million in the preceding year. The Boundary Shaft project is now complete and in use and the benefits of these capital expenditures should begin to be realized.

The other major factor affecting the Corporation's cash position was the purchase of its mining property from the former property owners negotiated in 1974 at a price of \$5.1 million. \$2.6 million of this sum was paid on October 29, 1974 and an additional \$1 million on October 29, 1975. The final payment of \$1.5 million is due on October 29 of this year. The price of copper at the time the agreement for the purchase of the mining property was negotiated was approximately 84c per pound. The average price of copper realizable by the Corporation as of this date is 63c per pound. The merit of this agreement to the Corporation is dependent on a recovery in the price of copper and higher gold and silver prices.

As you are aware, the Corporation is proceeding under a participation agreement to mine the Ming Extension property which is the continuation of the Corporation's Ming orebody. Commitments have been given to the other participants to carry out certain development work of an exploratory nature and to go into production on this property on or before July 1, 1976. Work is proceeding on the property and it is anticipated these commitments will be met. Note number 2 to the financial statements gives additional information respecting the terms of this participation agreement.

Other exploration work in the Burlington peninsula continued in 1975, being limited by the amount of funds available. At least three groups of claims have indicated sufficient potential to require further investigation which we expect will be done in the current year.

Your Directors express their appreciation to Mr. John Grainger, mine manager, his staff and employees for the progress achieved in the year 1975.

On Behalf of the Board

L. McC. Ritchie
President

March 31, 1976

MINE MANAGER'S REPORT

To: Mr. A. G. Kirkland, Vice-President - Mining

Operations for the year ended December 31, 1975 are reported as follows:

| Production | 1975 | 1974 |
|---------------------------------------|------------|------------|
| Ore Milled — Tons | 244,562 | 215,541 |
| Average Per Calendar Day | 670 | 591 |
| Grade Copper % | 3.20% | 2.89% |
| Mill Operating Time % | 93.9% | 94.2% |
| Copper Recovery % | 98.4% | 96.7% |
| Concentrates Produced — Tons | 29,691 | 25,128 |
| Copper Recovered — Pounds (Net) | 13,549,712 | 11,539,495 |
| Gold Recovered — Ounces (Net) | 10,463 | 9,047 |
| Silver Recovered — Ounces (Net) | 93,646 | 76,233 |

| Development | | |
|---------------------------------|--------|-------|
| Main Ramp Advance | 1,463 | 1,108 |
| Drifting and Crosscutting | 4,089 | 4,141 |
| Raising | 358 | 710 |
| Diamond Drilling | 18,653 | 9,536 |

Operating Costs Per Ton Milled

| | | |
|---------------------------|---------|---------|
| Mining | \$ 9.62 | \$ 7.79 |
| Development | 4.24 | 4.49 |
| Milling | 5.26 | 4.31 |
| Mine Office General | 2.72 | 2.32 |
| U/G Exploration | — | .78 |
| | <hr/> | <hr/> |
| | \$21.84 | \$19.69 |
| | <hr/> | <hr/> |

Ore Reserves

| | | |
|----------------------------|---------|-----------|
| Vertical Depth | 1,600 | 1,600 |
| Reserves — Tons | 660,000 | 1,050,000 |
| Grade % Copper | 2.90% | 2.86% |
| Grade Oz. Gold/Ton | 0.07 | 0.07 |
| Grade Oz. Silver/Ton | 0.60 | 0.60 |

Mining experience has shown that it is possible to leave in place a waste section of 159,000 tons @ .25% Cu and this tonnage is now excluded from the reserves.

After allowing for ore mined in 1975 there is a reduction of 166,000 tons in estimated ore reserves at January 1st, 1976 compared with January 1st, 1975. This is explained by:—

- (1) Ore classified as pillars and included in January 1, 1975 ore reserve estimate. This tonnage will not be mined and is therefore excluded from the January 1, 1976 reserve — 145,000 tons.
- (2) A tonnage of January 1, 1975 ore reserve now classified as unrecoverable because of tight folding and pinching of the orebody between 920 and 830 levels — 21,000 tons.

MINING

Production of ore was improved over 1974 despite the increased distance in haul up the ramp to surface. The connection between the main decline and the workings from the new boundary shaft was made on October 1st and it is expected that these new shaft facilities will be in full use by February 1, 1976. This will generally relieve the tight operating conditions and will result in a reduction of operating costs. Development to the ore was completed by year end on the 1100 and 1200 levels, and the main decline was started to the 1300 level. A crosscut was driven through the mineralized zone on the 1800 level during the month of December.

MILLING

It was, in general, a satisfactory operating year for the concentrator. Efforts to improve the copper recovery by adding collectors at selected points in the flotation circuits were successful and an increase in recovery of 1.79% was achieved.

A second 30' thickener was introduced into the circuit in the third quarter to increase the thickening capacity. No other major circuit changes were made.

By mid year an Atomic Absorption Spectrophotometer was in use for assaying copper, zinc and silver and the use of two assay-ton crucibles was introduced to improve the accuracy in fire assays for gold and silver content of the mill feed and final tailings.

SURFACE EXPLORATION

Claims Outside Rambler Property: On April 1, 1975 a large portion of the Burlington Peninsula reverted to Crown Land and was declared open for claim staking by the Newfoundland Government. The company staked 179 claims within a radius of 15 miles of the present operation and interest has now narrowed down to 104 claims in three areas. Each area was covered by airborne geophysics, soil geochemistry, geophysics and standard prospecting. Several anomalies were found which will be diamond drilled in 1976.

Detailed geological mapping and geophysical and geochemical surveys were carried out on the Company's main property and on its adjoining development licenses. Targets have been identified for drilling in 1976.

Exploration work in the form of geophysical and geochemical surveys and diamond drilling was continued in 1975 on the block of 48 claims adjoining the main property on the west and under option from "Carroll Prospector". No significant mineralization has been found to date. A few anomalies remain to be tested.

CONSTRUCTION

A Miner's Dry and Change Room with ancilliary offices for Supervision, Engineering and Geology was almost completed by year end.

A second 400 H.P. electric motor was installed on the boundary shaft hoist in preparation for hoisting ore.

GENERAL

Operating costs continued to rise due to the increase in prices of supplies and labour. An increase in throughput in the concentrator on a shorter work week helped to offset the negotiated labour increase which became effective September 29th.

The company achieved a reduction in compensable injuries over 1974 and had the lowest injury frequency for underground mines in the province. There were no work stoppages during the year and labour relations remained stable.

A portion of the LaScie Highway was paved during the latter part of the year and this has resulted in an improved trucking operation for concentrates to Tilt Cove.

It is again a pleasure to acknowledge the support and co-operation of the Officers and Directors of the Company, and also the efficient work of the mine staff and employees.

Respectfully submitted,

J. E. GRAINGER, B.Sc., P.Eng.,
Mine Manager

January 29, 1976

Balance Sheet

ASSETS

| | 1975 \$ | 1974 \$ |
|---|-------------------|-------------------|
| CURRENT ASSETS | | |
| Settlements receivable (net) from sale of copper concentrate | 3,546,100 | 3,507,786 |
| Cash and short-term deposits | — | 634,172 |
| Accounts receivable | 24,705 | 27,799 |
| Prepaid expenses | 167,295 | 109,400 |
| | <u>3,738,100</u> | <u>4,279,157</u> |
| FIXED ASSETS | | |
| Buildings, surface structures and equipment — at cost | 7,887,637 | 6,781,694 |
| | <u>4,421,017</u> | <u>3,634,017</u> |
| | 3,466,620 | 3,147,677 |
| Mining property — at cost less accumulated amortization of \$3,841,800 (1974 - \$3,314,000) | 1,522,354 | 2,048,154 |
| | <u>4,988,974</u> | <u>5,195,831</u> |
| DEFERRED EXPENDITURES | | |
| Mine development expense — at cost less accumulated amortization of \$2,967,080 (1974 - \$2,967,080) | 2,003,269 | 1,030,564 |
| Expenditure on properties under option — at cost (note 2) | 206,438 | 91,577 |
| Materials and supplies — at cost | 1,187,225 | 1,053,632 |
| | <u>3,396,932</u> | <u>2,175,773</u> |
| | <u>12,124,006</u> | <u>11,650,761</u> |
| Signed on behalf of the Board | | |
| L. McC. RITCHIE, Director | | |
| D. A. MACFARLANE, Director | | |

ER MINES LIMITED

December 31, 1975

LIABILITIES

| | 1975 \$ | 1974 \$ |
|---|------------------|------------------|
| CURRENT LIABILITIES | | |
| Bank advances (note 3) | 1,399,487 | — |
| Accounts payable and accrued liabilities | 954,539 | 670,341 |
| Current instalment on purchase price of mining property | 1,500,000 | 1,000,000 |
| 6 ¾% mortgages | 18,730 | 16,447 |
| | <u>3,872,756</u> | <u>1,686,788</u> |
| BALANCE OF PURCHASE PRICE OF MINING PROPERTY | | |
| (less current instalment) | — | 1,500,000 |
| | <u>3,872,756</u> | <u>3,186,788</u> |

SHAREHOLDERS' EQUITY

| | | |
|-----------------------------------|-------------------|-------------------|
| CAPITAL STOCK | | |
| Authorized — | | |
| 5,000,000 shares of \$1 par value | | |
| Issued — | | |
| 2,980,006 shares | 2,980,006 | 2,980,006 |
| Less discount thereon | 965,000 | 965,000 |
| | <u>2,015,006</u> | <u>2,015,006</u> |
| CONTRIBUTED SURPLUS | 14,625 | 14,625 |
| RETAINED EARNINGS | 6,221,619 | 6,434,342 |
| | <u>8,251,250</u> | <u>8,463,973</u> |
| | <u>12,124,006</u> | <u>11,650,761</u> |

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Earnings and Retained Earnings

For the year ended December 31, 1975

| | 1975 \$ | 1974 \$ |
|--|------------------|------------------|
| INCOME | | |
| Concentrate production | 9,470,992 | 9,864,241 |
| Less marketing expenses | 2,731,094 | 1,969,430 |
| | <u>6,739,898</u> | <u>7,894,811</u> |
| OPERATING EXPENSES | 5,294,685 | 4,485,899 |
| | <u>1,445,213</u> | <u>3,408,912</u> |
| EARNINGS ON OPERATIONS BEFORE THE UNDERNOTED ITEMS | | |
| Depreciation of fixed assets | 787,000 | 616,000 |
| Amortization of mine development expenses and mining property | 527,800 | 196,349 |
| Surface exploration | 27,640 | 440,483 |
| Mining tax | 90,710 | 107,000 |
| Interest on advances and bank loans | 224,786 | (48,295) |
| Provisions under former lease agreement | — | 692,000 |
| | <u>1,657,936</u> | <u>2,003,537</u> |
| EARNINGS (LOSS) FOR THE YEAR BEFORE INCOME TAXES AND EXTRAORDINARY ITEM | (212,723) | 1,405,375 |
| PROVISION FOR INCOME TAXES (note 4) | — | 630,000 |
| | <u>(212,723)</u> | <u>775,375</u> |
| EARNINGS (LOSS) FOR THE YEAR BEFORE EXTRAORDINARY ITEM | | |
| EXTRAORDINARY ITEM | | |
| Reduction of income taxes (note 4) | — | 630,000 |
| | <u>(212,723)</u> | <u>1,405,375</u> |
| NET EARNINGS (LOSS) FOR THE YEAR | 6,434,342 | 5,028,967 |
| RETAINED EARNINGS — BEGINNING OF YEAR | | |
| | <u>6,221,619</u> | <u>6,434,342</u> |
| RETAINED EARNINGS — END OF YEAR | | |
| EARNINGS (LOSS) PER SHARE | | |
| Before extraordinary item | (.07) | .26 |
| Net earnings (loss) for the year | (.07) | .47 |

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Use of Working Capital

For the year ended December 31, 1975

| | 1975 \$ | 1974 \$ |
|--|------------------|------------------|
| SOURCE OF WORKING CAPITAL | | |
| From operations | 1,102,077 | 3,074,922 |
| Accrual under lease agreement transferred to amounts charged for use of lease | — | 1,615,000 |
| | <u>1,102,077</u> | <u>4,689,922</u> |
| USE OF WORKING CAPITAL | | |
| Mining property — net | 2,000 | 2,634,600 |
| Current instalment on purchase price of mining property | 1,500,000 | 1,000,000 |
| Buildings and equipment | 1,105,943 | 1,329,641 |
| Mine development expenses | 972,705 | 770,270 |
| Materials and supplies | 133,593 | 422,873 |
| Expenditure on properties under option | 114,861 | 46,313 |
| | <u>3,829,102</u> | <u>6,203,697</u> |
| (DECREASE) IN WORKING CAPITAL | (2,727,025) | (1,513,775) |
| WORKING CAPITAL — BEGINNING OF YEAR | <u>2,592,369</u> | <u>4,106,144</u> |
| WORKING CAPITAL (DEFICIENCY) — END OF YEAR | <u>(134,656)</u> | <u>2,592,369</u> |

CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

For the year ended December 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

Settlements receivable —

Settlements receivable are shown at estimated realizable value less advances of \$2,686,000 (1974 — \$2,499,000). In accordance with terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received may vary from the amounts shown as settlements receivable at December 31, 1975.

Depreciation and amortization —

Buildings, surface structures and equipment (excluding those under construction) are being depreciated on a straight line basis at the rate of 10% per annum.

Mining property is currently being amortized at the rate of \$2.35 per ton ore milled.

Deferred expenditures —

The balance of mine development expense represents the cost to date of the boundary shaft, under construction, which will be written off when completed early in 1976 on the basis of use.

The cost of expenditure on properties under option are carried forward until these properties are developed or abandoned.

2. PARTICIPATION AGREEMENTS

There is a participation agreement outstanding between the Company, the Carroll Prospector Group ("Carroll") and Advocate Mines Limited ("Advocate") under which the Company is proceeding to put into production a property known as the Ming Extension which adjoins the Company's Ming mine. The agreement provides for the Company to pay to Carroll and Advocate 10% of the profits therefrom until its preproduction costs have been recovered and thereafter 55% of the profits.

A further participation agreement between the same parties grants the Company the option to explore and if feasible develop a 48 claim group west of the Company's mining property. Under the agreement the Company is required to maintain 21 claims in good standing. Should a commercially feasible orebody be developed, the Company agrees to pay Carroll and Advocate 20% of profits after it has recovered its preproduction costs.

3. SECURITY FOR BANK ADVANCES

Bank advances are secured by a general assignment of book debts.

4. INCOME TAXES

Former tax legislation permitted the Company to operate its Main Mine and Ming Mine free of tax in prior years including 1973.

The Company applied for a tax-exempt period under former tax legislation for its East Mine for the years 1967, 1968 and 1969 and this application was rejected. Income before depreciation and amortization for these years from this mine aggregated \$4,036,169. Due to recent tax decisions, the Company believes that this application should now be approved.

In 1973 and prior years the Company recorded depreciation and amortization in its accounts but did not claim all of the relative allowances for income tax purposes. For 1974, the Company used a portion of these allowances to eliminate taxable income. Assuming the East Mine to have been eligible for the tax-exempt period, accumulated allowances in the accounts but unclaimed for tax purposes are approximately \$6,800,000 (1974 — \$6,300,000).

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total direct remuneration paid during 1975 to directors was \$3,350 and to senior officers (as defined in the Ontario Business Corporations Act to include the five highest paid employees of the Corporation) was \$107,477.

6. ANTI-INFLATION ACT

As the company's shares are listed on the Toronto Stock Exchange, it is subject to Part 3 of the Anti-Inflation Act Regulations respecting dividends.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
SAINT JOHN, N. B.

TO THE SHAREHOLDERS OF
CONSOLIDATED RAMBLER MINES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Rambler Mines Limited as at December 31, 1975 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

February 12, 1976

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of mining companies into those of government cannot help but reduce the outside exploration efforts of the companies concerned. This is particularly the case in Newfoundland where expenditures on abortive exploration are not allowable as deductions in computing taxable income under the mining tax act. //

In the above statements, copper has been valued at 57c per lb. Figures shown for 1974 have been restated to reflect certain audit adjustments made at year end.

At the present time, the outlook for profitable operations in the remaining six months of the year is not encouraging.

OPERATING PERFORMANCE

Tonnage and grade of ore treated during the period are as follows:—

| | 1975 | 1974 |
|-----------------------|---------|---------|
| Tons Milled | 121,882 | 107,866 |
| % Copper | 3.02 | 3.44 |
| Ounces Gold Per Ton | .055 | .05 |
| Ounces Silves Per Ton | .540 | .51 |

Planned repair work has enabled operations to maintain a higher tonnage throughout in the crusher and concentrator. The grade of copper was slightly higher than indicated from ore reserves and there was some improvement in gold and silver grades.

MING MINE

Development of the decline continued and the face was at the 1100 elevation by the end of the period. A reasonable source of road rock was found and road conditions were improved in the second quarter. Evaluation of the ore reserves between 830 ft. level and 1010 ft. level was completed and indicates slightly higher tons/vertical ft. and percentage copper per ton than the original drilling from surface.

BOUNDARY SHAFT

The shaft was bottomed out at 2075 ft. and the new hoist ropes and skip-cage combination were installed. Development of the 1200 ft. level and the 1800 ft. level were started as were the ore and waste pass systems and the ventilation raise. Excavation of the crusher room was in progress at the end of the quarter and erection of the steel frame for the surface administration building was completed.

SURFACE EXPLORATION

The Baie Verte Peninsula was opened for staking on April 1st and a total of 162 claims were staked in seven separate blocks from Baie Verte to Tilt Cove. Geophysical and geochemical exploration are being performed to determine which areas to hold for further investigation.

Saint John, N.B.
July 18, 1975

L. McC. Ritchie,
President.

CONSOLIDATED RAMBLER MINES LIMITED

INTERIM REPORT TO SHAREHOLDERS

Six months ended June 30, 1975



CONSOLIDATED RAMBLER MINES LIMITED

P. O. Box 937, Saint John, N. B.

INTERIM REPORT TO SHAREHOLDERS

Six Months Ended June 30, 1975

STATEMENT OF EARNINGS (Subject to audit)

| | 1975 | 1974 (restated) |
|--|--------------|--------------------|
| Net income from concentrate production | \$ 3,473,601 | \$ 3,920,898 |
| Deduct operating costs | 2,678,022 | 2,415,836 |
| Operating profit before the undernoted items | 795,579 | 1,505,062 |
| Depreciation and amortization | 723,800 | 795,794 |
| Interest and mining taxes | 129,635 | 159,646 |
| | 853,435 | 955,440 |
| Net earnings (loss) for the period (before Federal income taxes) | \$ (57,856) | \$ 549,622 |
| Earnings (loss) per share | (1.9)c | 18.4c |

STATEMENT OF SOURCE AND USE OF FUNDS (Subject to audit)

Source:

| | | |
|---------------------------------------|------------|--------------|
| From operations | \$ 665,944 | \$ 1,428,015 |
| Reduction in supplies inventory | 18,082 | — |
| | 684,026 | 1,428,015 |

Use of funds:

| | | |
|--|--------------|--------------|
| Additions to fixed assets and mine development | 1,000,163 | 699,865 |
| Exploration expenditures (deferred) | 66,244 | 549 |
| Increase in supplies inventory | — | 117,655 |
| | 1,066,407 | 818,069 |
| Increase (decrease) in working capital | (382,381) | 609,946 |
| Working capital at beginning of year | 2,592,369 | 4,106,144 |
| Working capital at end of period | \$ 2,209,988 | \$ 4,716,090 |

OPERATING PERFORMANCE

Operations for the six months ended June 30, 1975 resulted in a loss of \$57,856 (1.9c per share) compared with a profit of \$549,622 (18.4c per share) as restated for 1974. The 1975 loss is after including in operations a gain on settlement of \$242,000 realized in the six month period. Excluding this gain, 1975 operations would show a loss of \$300,570 (10.1c per share). The weakness in metal prices in the first half of 1975 was a distinct contrast to the record high prices in the comparable period of 1974. The negative effect of metal markets was aggravated by wages and other operating costs which have continued to escalate. Recent changes in the mining tax act of Newfoundland have increased the effective tax rate from 5% to 16% and have restricted those items deductible in computing taxable income. While the impact of these changes in years of low profits may be relatively small, the overall effect of diverting cash resources out of the hands